Provisions for taxing incomes earned from stock market

2396. SHRIMATI JAYA BACHCHAN : Will the Minister of FINANCE be pleased to state:

(a) the current provisions for taxing the incomes from the stock market;

(b) whether it is a fact that investors are exempted from payment of income tax if they have held a particular scrips for more than a year;

(c) if so, whether Government is considering a proposal to further reduce this period, in view of major slides that took place on the bourses recently; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) The income arising from transactions in the stock market may either be taxed as capital gains or as business income; depending upon the facts of a particular case.

(b) Yes, Sir. Such exemption from payment of income tax is applicable only to capital gains arising from the transfer of an asset held for more than one year, being an equity share in a company or a unit of an equility oriented fund, and where such transactions have been charged to securities transaction tax.

(c) No, Sir.

(d) A reduction in the holding period, as suggested, will encourage investors to sell their shares which could cause further slide in the market. Therefore, the proposal to reduce the period of holding is not acceptable.

Functioning of non-official Directors of nationalized banks

2397. SHRI NARESH GUJRAL: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware that some non-official Directors of nationalized banks have been putting undue pressure on the Chairman/Management to extend loans to their associates and friends; and

(b) what is the criterion of appointing non-official Directors to Bank Boards?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) No incidence of non official Directors of nationalised banks putting undue pressure on the Chairman/Management to extend loans to their associates and friends have been brought to the notice of the Government.

(b) Non-official Directors on the Boards of Nationalised Banks are nominated by Government in terms of the provisions of clause (h) of sub-section (3) of Section 9 of Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970/1980 which states "subject to the provisions of clause (i), not more than six Directors to be nominated by the Central Government." The Directors to be nominated under clause (h) of sub-section (3) shall:—

(A) have special knowledge or practical experience in respect of one or more of the following matters, namely:—